As already stated, an individual who is resident in Canada is taxed on his income from both inside and outside Canada. An individual who is not resident in Canada at any time during the year but who carries on business in Canada or who earns salary or wages in Canada is taxed only on the income earned in Canada. In computing taxable income earned in Canada such a non-resident individual is allowed to deduct that part of the exemptions and deductions that may reasonably be attributed to the income earned in Canada. (A non-resident who derives investment income from Canada is taxed in a different way, described under a separate heading). An individual who ceases to be a resident of Canada during the year or who becomes a resident during the year so that he is resident for only part of the year, and who was not employed or did not carry on business in Canada while a non-resident during the year, is subject to income tax in Canada on only that part of his income for the year received while he is resident in Canada. In these circumstances, the deductions from income permitted in determining taxable income are the amounts that may reasonably be considered as applicable to the period during which he is resident in Canada.

A progressive schedule of rates is applied to taxable income, beginning at 11 per cent on the first $1,000 of taxable income and increasing to 80 per cent on taxable income in excess of $400,000. In addition, an old-age-security tax is levied on taxable income at the rate of 4 per cent, with a maximum of $240 reached at $6,000 of taxable income. Starting in 1969, an additional tax, called a social-development tax, is imposed at the rate of 2 per cent of taxable income, with a maximum of $120.

For the years 1968, 1969 and 1970, there is also a temporary surtax of 3 per cent of the amount of basic tax in excess of $200. ("Basic tax" is personal income tax, excluding the old-age-security tax, the social-development tax and the temporary surtax, and after deduction of a dividend tax credit but before the abatement for provincial income tax or a general tax reduction of 20 per cent with a maximum of $20. The dividend tax credit and the general tax reduction are described below.)

An individual is allowed to deduct certain amounts from his tax otherwise payable. These deductions are as follows:

a) Dividend tax credit:

In order to partially eliminate the double taxation of corporate profits and to encourage participation in the ownership of Canadian companies, Canadian resident individuals are allowed to deduct from their income tax, but not from old-age-security tax or social development tax, an amount equal to 20 per cent of the net dividends they receive from Canadian taxable companies.

b) Foreign tax credit:

Foreign taxes paid on income from foreign sources may be deducted from Canadian income tax, but the deduction may not exceed the Canadian tax related to such income.